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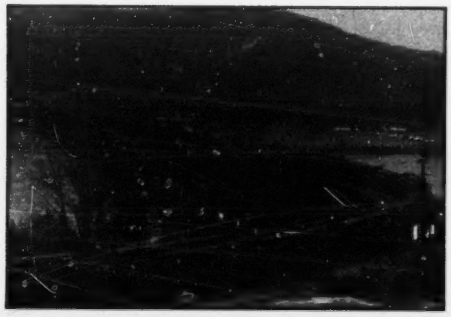
THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE APRIL 1986

THE BIG RAIL SHIPPERS SPEAK OUT



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WANTED: TOMORROW'S LOGISTICS PRO • LARGE SAVINGS FOR SMALL SHIPMENTS

VOL. 85, NO. 4

CHILTON'S
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APRIL 1986

COVER STORY

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Representing a cross-section of rail service needs, transportation execs from three major industries have little trouble verbalizing what's pleased them, and peeved them, in their life after Staggers.

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Small shipments are no small matter for many distribution operations, but here are two examples of small package shippers who cut big problems down to size.

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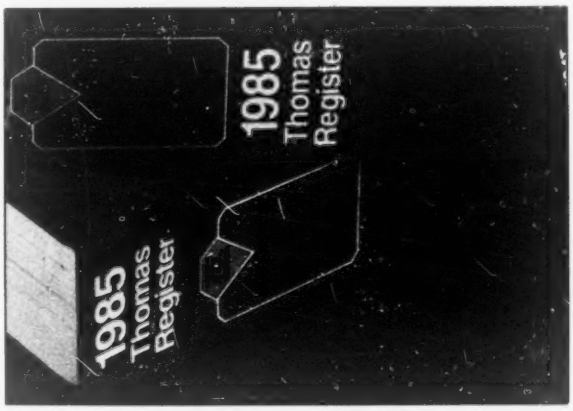
Major companies are on the lookout for innovative transportation/distribution executives. Characteristics: excellent general manager; tough negotiator; sophisticated communicator; fluent in computer language; extremely cost-conscious.



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NEXT MONTH

What's in a hub?

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Our February question asked readers how much responsibility they had for "non-freight" activities, *such as personnel relocations, auto fleet management, mailroom management, and business travel. Far from feeling that these duties are distractions that should be handled by other departments, the overwhelming majority of our readers reasoned that the savvy found in the transportation/distribution department made it the logical center for these activities. Who better to manage the movement of people than those who are experts at moving freight, they ask.*

"Logistics people should handle all materials movement, but should not be involved in personnel moves, travel, tickets, etc."**—Hugh E. Kinksey, supervisor of warehouse planning, Brookshire Grocery, Tyler, Tex.**

"Transportation/distribution is the logical place for these functions to be handled."**–R. G. Hauth, National Brush Co., Aurora, Ill.**

"Non-freight areas should be a part of the logistics function. There should be a division of logistics into freight, passenger, household goods, private fleet, etc., in order to integrate and make the best use of transportation personnel."**—Glen E. Schneider, transportation manager, Robinson's of Florida.**

"Relocations are better handled by personnel or purchasing, but we negotiate the rates and pre-audit the bills. The transportation department is also better equipped to work out claims."**—J. Penneil Abbott, transportation manager, Cutter Biological, Emeryville, Calif.**

"There is no reason the transportation/distribution people should not handle 'non-freight' duties, as long as a positive impact is felt on the bottom line, and no more effective administrating department is available."**—Ed Brandt, transportation manager, J. R. Simplot Co., Boise, Id.**

"I work for a small company, and it works out well for me to handle 'non-freight' items. This keeps me in constant contact with top management and gives me an overall view of what the company is doing. In a larger company this wouldn't work as well."**—Ray Stowers, traffic manager, Martin Fireproofing, Elberton, Ga.**

"There should be an increased responsibility in 'non-freight' areas for the transportation/distribution function, and a reduced role for departments such as personnel."**—D. W. Ackerman, director of purchasing, P-I-E Nationwide, Jacksonville, Fla.**

"Negotiation is a large part of our role in transportation/distribution,

continued

QUESTION OF THE MONTH

A PERMANENT INTERMODAL INTERLUDE?

Even before the intermodal "boom" has had a chance to reach full proportions plenty of detractors have surfaced who are intent on deflating the importance of bi- or trimodal transport options.

On one hand, we have continued fervor for the efficiencies and merits of double-stacking, truck-to-rail transfers, and other variations on the intermodal theme which continue to be introduced.

On the other hand, though, "new" intermodal developments such as the RoadRailer—which has now been around longer than paved highways themselves, it seems—continue to limp through prolonged "test" phases with less than instant acceptance.

Some shippers believe intermodalism still has too few answers and too many questions. These questions include: Why does there continue to be so many equipment handling and compatibility problems with intermodal service? Why must the third parties that are so integral to intermodal service continue to muddle the picture?

We'd like to find out, through the questions on the card below, on which side of the intermodal fence you're currently standing.

DIALOGUE

April 1986

•Intermodal services of any type currently account for _____percent of my total annual freight volume and _____percent of my total annual freight bill.

•The statement which best summarizes my current assessment of intermodalism's potential is (check ONE only, or fill in your own):

_____Intermodalism still has a great future; it has only begun to realize its potential.

_____Intermodalism has peaked out in terms of growth and will continue to serve future shippers' needs at pretty close to its current level.

_____Intermodalism's best days are behind it; it will backslide in the years to come to the point where it eventually will be reduced to gimmick status only.

_____Intermodalism _____

•When problems do occur with intermodal service, it's usually because of (check all that apply):

_____equipment unavailability or incompatibility;

_____inadequate departure schedules and in-transit delays;

_____excessive handling, increased loss and damage;

_____confusion over carrier responsibility and communications, because of the involvement of third parties (shippers' associations and agents, forwarders, brokers, etc.);

_____other (explain:) _____

7

Here's what it would take to get more shippers to use piggyback and other intermodal service options:

_____

_____

_____

_____

_____

NAME (print) TITLE

COMPANY PHONE

ADDRESS

CITY STATE ZIP

FIGURES IN SPEECH

(Quotes from transportation and distribution notables that have caught the ears of *DISTRIBUTION* editors:)

"While the President's budget shows zeroing out ICC funding, it still requires an act of Congress to close the Commission's doors. Therefore it [the proposal to sunset the ICC] prevents further deregulation of the industry through the back door by using the budget process, and instead forces full debate by both houses of Congress."—**Thomas J. Donahue, ATA president and CEO.**

•

"The Administration has sent its highway bill to Congress. The bill contains some good news and some bad news. The good news is that highway user fees are not increased and some exemptions and cost expanders are terminated. The bad news is the bill contemplates spending far less on highways over the next four years than the needs require, while at the same time continuing some exemptions, some cost expanders, and putting in place machinery that could increase the diversion of highway user tax revenues from the present $1.2 billion per year to almost $4 billion per year."—**Thomas A. Callaghan, Jr., Alliance for Simple, Equitable & Rational Truck Taxation.**

and relocation and travel offer the same challenges in productivity improvement and cost-cutting as does moving freight."—**Ed Loftus, distribution/transportation manager, Ampex Corp., Opelika, Ala.**

"Because of our negotiating expertise with carriers in transportation, we can and do make a significant contribution in 'non-freight' areas, too."—**Julio Alvarez, director of transportation, Burdines, Miami.**

"Since our role involves transportation, our department has the most expertise in this area. We do not view it as a problem."—**T. M. Conley, traffic manager, Frantz Manufacturing Co., Sterling, Ill.**

"We negotiate the contracts for required transportation services, then let user groups other than traffic handle the day-to-day operations."—**Thomas R. Hart, director of worldwide traffic, Burroughs Corp., Wayne, Mich.**

"Household moves can be considered 'personal freight,' and should be controlled by someone with knowledge of tariff rules and regulations, so that we are not taken advantage of by carriers. The mailrooms also handle packages that could be more effectively controlled."—**Irvin E. Thrush, traffic coordinator, GA Technologies, Inc., San Diego.**

PLANE TICKETS AND OIL CHANGES

Transportation/distribution department has responsibility for:	
household goods moves	68%
negotiating discounts for corporate travel	43%
auto fleet management	38%
tickets for business travel	35%
mailroom management	32%
Collectively, "non-freight" duties account for this percentage of transportation/distribution's resources:	
time	17%
staff	14%
budget	9%
In the past ten years, "non-freight" responsibilities have:	
increased	70%
decreased	14%
"Non-freight" duties should come under the purview of corporate logistics	84%
"Non-freight" duties should not come under the purview of corporate logistics	14%

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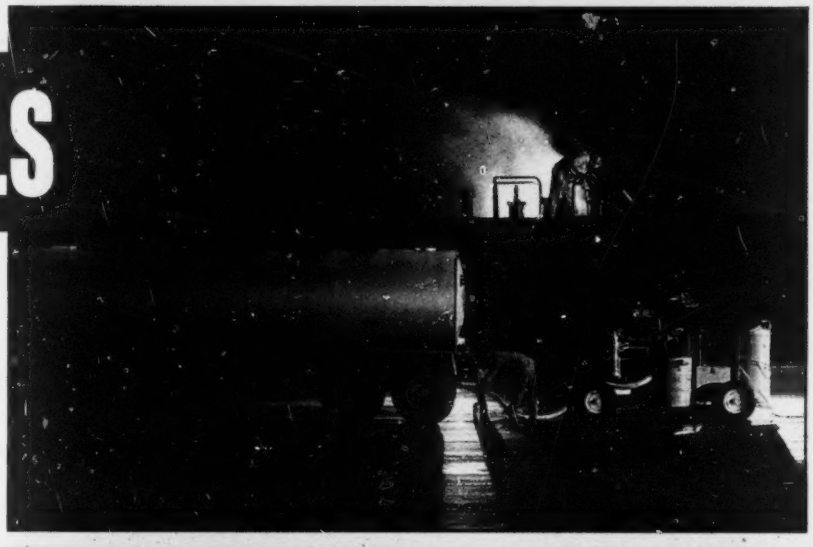
FOOD

Inflation, deregulation and computers make food shipping a new ballgame. Railroads are working hard to keep playing.

CHEMICALS

Equipment hasn't changed in 25 years, bulk shippers say. But suppliers are certainly marketing themselves differently these days.



METALS

After deregulation, truckers became 'partners' in the metal shipper's business. Now those shippers hope railroads will do the same.

RAIL SERVICES

THE BIG RAIL SHIPPERS SPEAK OUT

Representing a cross-section of rail service needs, transportation execs from three major industries have little trouble verbalizing what's pleased them, and peeved them, in their life after Staggers.

A DISTRIBUTION Staff Report

If it's not your first question right off, it certainly will be after you look at the table on page 12: Since when does a report on "the big rail shippers" fail to include the biggest rail shipping industry of them all—coal, which continues to grab a larger and larger percentage of the rail commodity mix?

The answer, quite simply, is that we used a different set of statistics to determine which three industries we would focus on for this year's rail report. We took a look at a breakdown of our circulation, which told us that among our readership, the three industries with the greatest interest in rail services are "food and kindred products," "chemicals and allied products," and "fabricated metal products/machinery."

That suited us just fine, because those three industries also make use of just about every type of rail service. The fates of boxcars and piggyback trains are closely tied to the food industry; chemicals largely dictate the fortunes of the bulk and tank car segments; and metals/machinery play a big role in movements via gondolas, flat cars, hoppers, and import/export.

Collectively, the input we've received from shippers in these three industries has provided a very good reading on the reaction of the railroad industry as a whole to all shippers' needs for the '80s. But what about coal, you ask? Well, that's a story in itself—one we'll save for another issue.

THE 500-MILE RULE

By Fletcher Cox

The watchword today in food operations across the country is "time-sensitivity." "Railroading as usual" is out. Period. No, make that an exclamation point.

For bulk commodities and "food and kindred products" that are not "time-sensitive" and are traveling 500 miles or more, rail is a very attractive option and is still in wide use. But for short-haul food shipments, the use of boxcars and mechanical refrigerated cars is almost a thing of the past.

"It was so frustrating," says the Midwestern secretary as she waits for her boss to come to the telephone. "We could see the freight car we wanted two blocks away. Our people were yelling at us for the lettuce or the oranges—and we *couldn't* get the railroad to move that car over here!"

That's a fictional anecdote, but it's still true to life.

Figures compiled by the Food Marketing Institute, an association of retailers and wholesalers, tell this story about the average number of inbound shipments per week for dry grocery distribution centers: By rail, 12 in 1982 and 6 in 1984; by truck, 137 in 1982 and 190 in 1984.

Inbound rail shipments for refrigerated foods are so few that the association doesn't survey for them any more, a spokeswoman for the Institute says.

Revenue carloading figures collected by the Association of American Railroads (AAR) show 925,000 cars of food and kindred products for 1980 and 566,000 for 1985, a drop of 38.8 percent.

On the other hand, these statistics cannot reflect probable diversions to intermodal, and "there *has* to be food moving intermodal," says John H. Curtis, vice president, intermodal, for Matlack, Inc., and veteran of a few decades with the Illinois Central Gulf Railroad. Indeed, the number of trailers and containers moving on revenue cars by rail has climbed by 50.5 percent, from 3,059,402 in 1980 to 4,605,099 in 1985, according to the AAR.

Nevertheless, a series of checks with consultants, shippers, and railroads shows a major shift in food shipping practices. "Time-sensitivity" has grown like radishes in the deregulated 1980s.

The Trucks are There

Three factors are involved.

One, of far greater importance than the partial deregulation of freight railroads is the partial deregulation of trucking. "Scheduling was the problem with rail," says Mike Nerzig, vice president of Eric C. Baum and Associates, Chicago, a management consulting firm. "With the railroad, you

continued

might not get the one car you were looking for or you might get too many at one time."

Trucks, on the other hand, can be scheduled by warehouse managers to balance out their work load. "They can apply performance standards to the receiving operations," Nerzig says.

"We have been out of rail cars for three or four years now, and we have filled in our rail docks at the main warehouse," says Douglas Pope, vice president-distribution for Seaway Food Town in Maumee, Ohio. This 73-store retail grocery chain has its own fleet of trucks and uses common carriers as needed. Shipments from all over the country arrive either by piggyback (California to a pickup point in Chicago, and Florida to Cincinnati) or by truck. The company's trucks travel up to 180 miles to make deliveries, and they may be sent another 50 miles or so to pick up backhauls. "We're very pleased with the service we get from the trucking companies," says Pope.

A second factor is the personal computer. "There's lots of software out there for PCs, and even the small guys have the tools for 'what-if' studies," says William J. Rennicke, principal in the transportation and logistics group for Temple, Barker & Sloane, Inc., Lexington, Mass. Whereas receiving used to be handled by one person or group, inventory by someone else, and shipping by a third party, the PC makes it possible to consolidate all three functions for sophisticated cost analyses, scheduling, and planning.

The third factor is the lesson, learned the hard way in the bad old days of high double-digit interest rates: maintaining large inventories is like keeping a sailboat or a mistress—it's a money sink.

"There has been a tremendous move toward the 'just-in-time' concept," reports another manager of nationwide shipping. "Shipments are more and more time-sensitive and quantities are smaller. The customer doesn't want to bother with the large quantities that go with rail."

"I find that the railroads still can't reliably tell you when your car's going to get there," says Brock Partin, vice president-operations for Proficient Food Company in Irvine, Calif. His company (a subsidiary of Denny's) serves roughly 2,000 restaurants across the country, "and when a customer wants ham and eggs, he wants his ham and eggs and not a story about a delayed freight car."

Major food processing companies who ship nationally agree with the 500-mile rule of thumb. They too see trucks capturing significant quantities of traffic in food.

"The shorter the lead time in transportation, the less inventory you have to carry, so you tend to shift from rail to truck because truck is faster," says a spokesman for Del Monte Corp., San Francisco. Del Monte switched to trucks for short hauls but, as a high-volume shipper, uses rail for long hauls to its distribution points. "Boxcars are a real bargain," says the spokesman. "It's the irregularities that are maddening—the railroads need passenger schedules for freight."

There are indications that railroads are seeking to cope with the matters of time-sensitivity, smaller loads, and customers' desires to pick up in their own trucks.

CSX's intermodal Orange Blossom Special, which has been running perishables north from Orlando, Fla. to Wilmington, Del. since 1982, is now continuing further north to Conrail's terminal at Kearney, N.J.—closer to the New York area. The train leaves from Orlando six days a week and reaches its destination in a little more than 25 hours. Where it was once restricted to Florida's harvesting season, the train is now scheduled to run year-round to handle all commodities.

Burlington Northern is running 10 "Expediter Service" intermodal trains among seven major terminal points. "We're going to the customer and saying, 'Tell me what you need and we'll put something together to see if it works,' " says the railroad's William J. DeWitt. Burlington Northern has also been experimenting with 75 insulated cars—which use carbon dioxide rather than mechanical refrigeration units—to carry frozen foods from the upper and far West to a special refrigerated transloading point in Birmingham, Ala. There the refrigerated trailers are transferred for destinations in the Southeast.

Perhaps the entire picture is best summed up by the transportation and warehousing manager of a large Midwest shipper of bulk commodities.

"In the old days, the railroads handled a lot of business at unprofitable levels, and they handled a lot at very profitable levels," he says. "Now, under deregulation, we can be more like business partners. Railroads are suppliers—suppliers of transportation—to us. They can be market-sensitive, and we hope to give them the opportunity for mutually-profitable operations."

CHANGING TRANSPORTATION ENVIRONMENT: RAIL COMMODITY MIX

Commodity	Tons Originated as % of Total		
	1975	1980	1984
Field crops	9.3	10.3	10.3
Iron ores	6.4	5.7	4.7
Coal	29.0	34.8	39.6
Crushed stone	3.5	—	2.6
Sand and gravel	2.9	—	—
Fertilizer	3.9	4.0	3.4
Grain mill products	2.9	—	—
Forest products	4.6	4.3	—
Chemicals	3.8	4.1	4.4
Steel	2.9	2.9	—
Waste and scrap	2.7	—	—
Miscellaneous shipments	—	—	2.8
Percent of total	79.1	66.2	67.8
Originated tons (billions)	1.4	1.5	1.4